

Enhancing Accountability

THE NATIONAL ASSEMBLY
PAPERS LAID

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DAY:

Thursday

TABLED

Hon. Owen Baya, MP.

Deputy Leader, Majority

CLERK-A
THE-TABLE:

REPORT

Moses Lemuna

OF
THE AUDITOR-GENERAL
ON
KENYA INDUSTRIAL PROPERTY
INSTITUTE

FOR THE YEAR ENDED
30 JUNE, 2021



K I P I

KENYA INDUSTRIAL PROPERTY INSTITUTE



KENYA INDUSTRIAL PROPERTY INSTITUTE

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30TH JUNE, 2021

Prepared in accordance with the Accrual Basis of Accounting Method under the International
Public Sector Accounting Standards (IPSAS)

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1. KENYA INDUSTRIAL PROPERTY INSTITUTE'S INFORMATION AND MANAGEMENT

(a) Background Information

The Kenya Industrial Property Institute (the Institute) is a body corporate established under the Industrial Property Act, No. 3 of 2001. The Institute is mandated to implement the Industrial Property Act and the Trade Marks Act, Cap 506 of the Laws of Kenya.

(b) Principal Activities

VISION

Be a world class institution in administration of industrial property rights.

MISSION

To protect and promote industrial property rights to foster innovation for sustainable development in Kenya.

Core Values

Pursuant to its mandate and functions, the Institute is guided by the following core values;

(i) Confidentiality

The Institute endeavours to guarantee the privacy and confidentiality of its customers' information.

(ii) Customer Focus

The Institute strives to understand and meet customer needs and aim to exceed their expectations.

(iii) Innovation

The Institute commits to foster an enabling environment that encourages creativity, continuous learning and improvement for sufficient and effective service delivery.

(iv) Integrity

The Institute endeavors to be honest, fair and ethical in creating a culture of trust and accountability in all its activities and decision making.

(v) Professionalism

The Institute will maintain high standards and professional competence in the discharge of service. It will abide to professional and considerations on the methods, standards and procedures in its work.

(vi) Team Work

The Institute creates a unique atmosphere of collaboration, mutual support and genuine interest in each other's success. Its diverse mix of cultures and experiences provides a variety of perspectives and talents that, when united through teamwork, strengthens the ability to achieve goals.

The principal activities of the Institute are to;

- (i) Consider applications for, grant and registration of industrial property rights;
- (ii) Screen technology transfer agreements and licences;
- (iii) Provide to the public, industrial property information for technological and economic development;
- (iv) Promote inventiveness and innovativeness in Kenya; and
- (v) Organize and conduct training, competitions and awards relating to industrial property matters.

(c) Key Management

The Institute's day-to-day management is under the following key organs:

- Board of Directors;
- Managing Director;
- Deputy Managing Director / Finance, Corporate Services; and
- Deputy Managing Director / Technical Services.

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June, 2021 and who had direct fiduciary responsibility were:

Designation	Name
1. Deputy Managing Director / Corporate Services	Mr. John Onyango
2. Manager, Legal Services	Mrs. Eunice Njuguna
3. Manager, Patents	Mr. David Njuguna
4. Assistant Manager, Administration	Mr. Samuel Ng'ethe
5. Assistant Manager, Finance	CPA Caroline Mawathe

(e) Fiduciary Oversight Arrangements

As part of corporate governance, the Institute's oversight role is discharged through the following Committees:

(i) Finance and Administration Committee

The roles of the Committee are:

- Approval of financial reports;
- Assessing and monitoring performance of the Institute as per the Strategic Plan and annual Performance Contract;
- Consideration and approval of the Institute's budget and procurement plan; and



- Advising the Institute on major capital expenditure projects.

(ii) Strategy and Human Resource Committee

The roles of the Committee are:

- Reviewing the terms and conditions of Service for the Institute's employees;
- Carrying out recruitment and promotion of staff;
- Reviewing the Institute's human resource policies; and
- Advising the Board on the best human resource management practices.

(iii) Audit and Compliance Committee

The roles of the Committee are:

- Corporate governance - provides support to the Board of Directors in reviewing the effectiveness of the Institute's corporate governance by ensuring the Institute's compliance with legal and regulatory provisions;
- Financial statements and reports - review the adequacy, reliability and accuracy of the financial statements and reports provided to the Board and other users of such information;
- External Audit - ensuring the management has arrangements to support the audit work of the Auditor-General, being fully briefed on all audit work relating to the Institute through reports by the Auditor-General describing any material issues raised by their internal control reviews, or by inquiry/ investigation by governmental or professional authorities; and
- Internal control, Risk Management and Internal Audit-Consider the effectiveness of the Institute's internal control systems established by Management to ensure compliance with policies, laws and regulations.

(iv) Technical Committee

The roles of the Committee are:

- Monitor delivery of the Institute's mandate relating to the Constitution of Kenya, 2010, the Industrial Property Act and the Trade Marks Act;
- Monitor progress of implementation of the functions of the Institute relating to protection of industrial property rights, screening of technological transfer agreements and licences, promotion of innovativeness and inventiveness, industrial property information and training;
- Monitor development and review of the Institute's policy relating to the functions that create stakeholder value and ensure that statutory mandates are effectively fulfilled;



- Ensure that the implementation of the Institute's technical projects, programs and activities is done in line with the Institute's Strategic Plan;
- Ensure that technical operational strategies are based on the current social, economic and political factors and Kenya Vision 2030;
- Review systems as well as investments in new operational models to ensure efficient and effective service delivery;
- Monitor creation of partnerships and alliances with relevant collaborating institutions at national, regional and international levels for promotion of industrial property protection;
- Evaluate and monitor the performance of Technical Services Department; and
- Review proposals made for amendments to the Industrial Property Act and the Trade Marks Act.



(f) The Institute's Headquarters

KIPI Premises, Lavington,
Along Kabarsian Avenue,
Off Waiyaki Way,
P.O. Box 51648 - 00200,
City Square,
Nairobi, Kenya

(g) The Institute's Contacts

Telephone: (254) 0206002210/11
Fax: (254)0206006312
Wireless: (254) 0202386220
E-mail: info@kipi.go.ke
Website: www.kipi.go.ke

(h) The Institute's Bankers

1. Central Bank of Kenya,
Haile Selassie Avenue,
P.O. Box 60000,
City Square 00200,
Nairobi, Kenya
2. Other Banks
 - a) Kenya Commercial Bank Limited,
Kipande House Branch,
P.O. Box 30012,
GPO 00100,
Nairobi, Kenya
 - b) National Bank of Kenya Limited,
South C Branch,
KEBS Compound, South C Nairobi,
P.O. Box 38645,
GPO 00100,
Nairobi, Kenya

(i) Independent Auditors

Auditor General,
Office of the Auditor General,
Anniversary Towers, University Way,
P.O. Box 30084- 00100,
Nairobi, Kenya

(j) Principal Legal Adviser

The Attorney General,
State Law Office,
Harambee Avenue
P.O. Box 40112- 00200,
Nairobi, Kenya

2. THE BOARD OF DIRECTORS



Mr. Ahmed Issack Hassan, CBS
Chairman

Mr. Ahmed Issack Hassan, CBS, who was born on 3rd March, 1970 is an Advocate of the High Court of Kenya, a Commissioner for Oaths, Notary Public and a Certified Public Secretary. He has an over 25 year's progressive experience in legal practice, public service and election administration. He is the former Chairman of the Independent Electoral and Boundaries Commission of Kenya. He also served as a Commissioner in the Constitution of Kenya Review Commission and as a Legal Consultant to UNDP Somalia in the Somalia Constitution-Making Project. He has practised law as the Managing Partner of the Law Firm, Managing Partner Law firm of Ibrahim, Issack & Company Advocates.

He holds a Bachelor's Degree in Law from the University of Nairobi, a Post Graduate Diploma in Law from the Kenya School of Law and a Certificate in Contemporary Public Administration Management, Galilee International Management Institute in Israel.



Eng. Elephas Kangangi Gikungi
Director

Eng. Elephas Gikungi, born on 5th June, 1965 is a practising Engineer with experience in design, innovation/invention, manufacturing, construction, operation and maintenance of energy and air conditioning systems. He is registered with the Engineers Board of Kenya and the Institution of Engineers of Kenya.

He holds a Master's Degree in Business Administration with a specialization in Strategic Management from the Catholic University of Eastern African, a Master's of Science with a specialization in Energy Management from the University of Nairobi, Bachelor of Science in Mechanical Engineering from the University of Nairobi.

THE BOARD OF DIRECTORS



Ms. Catherine Kamali Bunyassi
Director

Ms. Catherine Kamali Bunyassi-Kahuria was born on 30th June, 1973.

She is an Advocate of the High Court of Kenya, a Commissioner for Oaths and Notary Public with nineteen (19) years of experience in law specializing in International law matters and intellectual property law.

She holds a Bachelor of Laws Degree from the University of Pune, India, a Diploma in Law from the Kenya School of Law, a Masters in International Studies from the University of Nairobi, Institute of Diplomacy and International Studies and a Masters in Intellectual Property from the Africa University, Mutare, Institute of Peace, Leadership and Governance jointly organized by WIPO, ARIPO and AU.

She is currently a Deputy Chief State Counsel in the International Law Division, Office of Attorney General and Department of Justice.



Prof. Walter Odhiambo Oyawa
Director

Born on 23rd August, 1965, **Prof. Walter O. Oyawa**, is currently the Director-General of the National Commission for Science, Technology & Innovation. He is a Professor of Civil Engineering, a holder of a Ph.D. in Civil Engineering, and a holder of an Executive MBA. He is a Registered Professional Engineer and a Lead Expert-NEMA.

Prof. Oyawa has served in various senior leadership/ leadership/management positions. He is endowed with vast experience in research/scholarly work, as evidenced by publications in peer-reviewed papers, conference papers, reports, and presentations. He has supervised many postgraduate students and undertaken impacting research in the area of sustainable construction materials.

THE BOARD OF DIRECTORS



Mr. Tobias Ouma Alando
Director

Mr. Tobias Alando, who was born on 22nd August, 1976 is the Head of Membership & Governance at the Kenya Association of Manufacturers and currently heading a program under KAM & supported by the Danish Institute of Political Parties (DIPD) & Liberal Alliance on Fostering issue-based political dialogue that works towards promoting dialogue between the Political Parties and the Civil Societies and Business Membership Organizations, Capacity Building, Assessment of Political Party Manifestos and establishment of County Economic debates across the Counties.

He holds a Masters in Management & Leadership at the Management University of Africa, a Bachelor of Science Degree in Computer Science from Marathwada University in India and a Postgraduate Degree in Information Systems Management from the same University. He also holds a Diploma in Private Sector Development from International Swedish Institute for Public Administration - Sweden.



CPA Patrick Mbehi Stom
Director

Mr. Patrick Mbehi Stom is an Accountant and a Financial Analyst. He is the Alternate Director to the Principal Secretary, the National Treasury. Mr. Stom holds a Master of Science Degree in Finance, from Jomo Kenyatta University, a Bachelor Degree in Business Administration (Accounting option) from Moi University, Certified Public Accountants of Kenya and Certified Securities and Investment Analysts Part II.

He is a member of the Institute of Certified Public Accountants of Kenya (ICPAK) with a wealth of experience in Public Sector Financial Management.

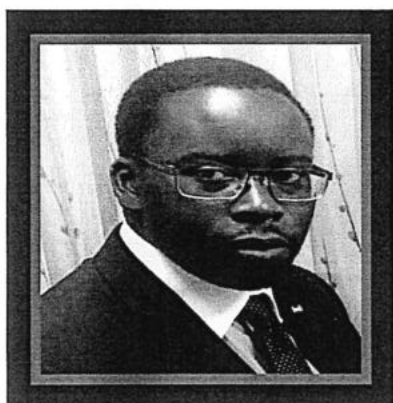
He has undertaken several work improvement skills, development training, workshops and seminars on management and governance.

THE BOARD OF DIRECTORS



Ms. Lilian Moraa Nyamweya
Director

Ms. Lilian Moraa Nyamweya is an Advocate of the High Court of Kenya working in Public Service. She is the Alternate Director to the Principal Secretary, Department of Industrialization. Ms. Lilian is currently undertaking a Master's Degree in International Public Law, from the University of Nairobi. She holds a Bachelor's Degree in Law from Makerere University and a Diploma in Law from the Kenya School of Law. She is a member of the Law Society of Kenya with vast experience in Public Sector Legal practice having worked in various ministries with diverse mandates. She has undertaken several work improvement skill development trainings and attended various workshops and seminars on law and governance.



Mr. Manasses K. Mwangi
Director

Born on 28th May, 1985, Mr. Manasses Mwangi Kabui is an Advocate of the High Court of Kenya practising law in Nairobi. He is a Senior Partner at the Law firm of Manasses, Mwangi & Associates - MMAS Advocates. He is a Registered Patent Agent in Kenya. He is a member of various professional bodies including the International Trademarks Association, the Law Society of Kenya and the East Africa Law Society.

He serves in various Boards, including the Rotary International, the Rotary Club of Nairobi Muthaiga North and the Board of Trustees of Intellectual Property Specialists Network. He is an Associate Member, the Chartered Institute of Arbitrators of the United Kingdom. He is an experienced civil and commercial Law Litigation advocate. He has practiced law for over a decade in the areas of real property, intellectual property rights management, alternative dispute resolution, conveyancing, building and construction. Mr. Mwangi is an expert in Constitutional Law and Intellectual Property Law.



Mr. John Onyango
Acting Managing Director

Mr. John Onyango is the Acting Managing Director. He holds a Bachelor of Commerce Degree from the University of Nairobi and previously worked with the Standard Bank of Kenya.

THE BOARD OF DIRECTORS



Mrs. Eunice Njuguna
Corporate Secretary/Secretary
to the Board

Mrs. Eunice Njuguna is in charge of the Legal Division that advises the Institute on compliance with all the relevant legislation. She is also the Institute Corporation Secretary and holds a Bachelor of Laws Degree, University of Nairobi, Diploma in Law, Kenya School of Law and Master of Laws Degree, University of Nairobi. She is a member of the Law Society of Kenya and the Institute of Certified Public Secretaries of Kenya.

3. MANAGEMENT TEAM

MANAGER

AREA OF RESPONSIBILITY



Mr. John Onyango
Acting Managing Director

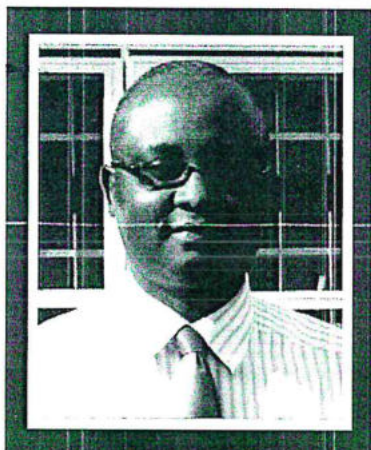
Mr. John Onyango is the Acting Managing Director. He holds a Bachelor of Commerce Degree from the University of Nairobi and previously worked with the Standard Bank of Kenya.



Mrs. Eunice Njuguna
Manager, Legal Services

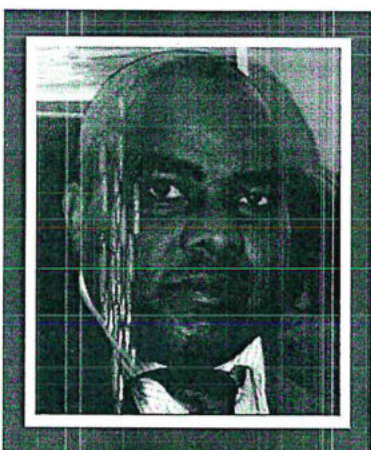
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MANAGEMENT TEAM



Mr. David Njuguna
Manager, Patents

Mr. David Njuguna is in charge of the Patent Division that processes applications for grant and registration of patents, utility models and industrial designs. He holds a Bachelor's Degree in Science, University of Nairobi and a Master's Degree in Intellectual Property, University of Melbourne.



Mr. Samuel Ng'ethe
Assistant Manager,
Administration

Mr. Samuel Ng'ethe oversees the overall management of human resource and administration services. He holds a Bachelor's Degree in Administration, Master's Degree in Arts and a Higher National Diploma in Human Resource Management.



CPA Caroline Mawathe
Assistant Manager, Finance

Miss Caroline Mawathe is in charge of Supervision of Accounting Activities. She is a holder of CPA K, a Bachelor's Degree in Commerce and a Master's Degree in Business Administration. She is a member of the Institute of Certified Public Accountants of Kenya. She is currently pursuing her PhD.

4. CHAIRMAN'S STATEMENT

On behalf of the Board, I am delighted to present the annual Report and Financial Statements of Kenya Industrial Property Institute for the financial year 2020/2021.

During the last financial year, the Institute realised significant achievements. The revenue during this financial year revenue increased from KSh.345,820,689 in the period ended 30th June, 2020 to KSh.376,936,085 in the financial year 2020/2021. This revenue increase is linked to the increased number of applications received due to accelerated Intellectual Property awareness campaigns by the Institute.

The mandate of the Institute is to promote inventive and innovative activities, facilitate the acquisition of technology through registration and regulation of patents, utility models, technovations, industrial designs and trade marks. To deliver on this, the Institute has developed a strategic plan that will contribute to high and sustainable socio-economic development in line with national development goals espoused in Kenya Vision 2030. Appropriate structures and systems have been developed and essential staff recruited to enable the realization of the vision, mission and strategic objectives of the Institute.

Every year, the Board and Management develop and sign annual performance contract as a means of delivering on the strategic goals as contained in the strategic plan. In line with its mandate, the Institute continues to play a leading role in supporting Kenya's innovation performance, through delivery of quality and timely intellectual property (IP) rights and promoting utilization of IP rights by disseminating IP information.

The Institute has transformed itself from one that was wholly dependent on funding from the Exchequer to one point where most of the activities are met from internally generated sources of finance. Employees now enjoy better terms and conditions of service through better remuneration and work environment including necessary working tools. The Institute has now relocated to its new premises in Lavington after completion of renovation and refurbishment works.

As part of creating awareness on intellectual property, the Institute engaged in a number of outreach and sensitization activities during the year under review. This included participation in national shows, County investment conferences, University exhibitions and undertaking decentralization of IP services in partnership with the parent Ministry as well as County Industrialization and Development Officers (CIDO's) and County Enterprise and Development Officers (CEDO's).



Ahmed Issack Hassan, CBS
Chairman of the Board



K I P I

KENYA INDUSTRIAL PROPERTY INSTITUTE

5. REPORT OF THE MANAGING DIRECTOR

Kenya Industrial Property Institute was established in 1990 through an Act of Parliament to discharge the mandate of industrial property administration. The core functions of the Institute include:

- Consider applications for, grant and registration of industrial property rights;
- Screen technology transfer agreements and licences;
- Provide to the public, industrial property information for technological and economic development;
- Promote inventiveness and innovativeness in Kenya; and
- Organize and conduct training, competitions and awards relating to industrial property matters.

Since its establishment, the Institute has continuously endeavoured to offer the best services to its customers with the number of applications for registration dramatically increasing over the years. The introduction of automation has led to quality processing of applications resulting into growth in revenues. The Institute created an outreach unit responsible for creating public awareness on intellectual property. The unit carries out campaigns through different channels including shows, seminars, workshops, exhibitions, and media (both print and electronic) among others.

To support this growth, the Institute has invested in the acquisition of new premises to accommodate the growing number of staff and planned for digitization of its processes as a means of enhancing efficiency, productivity and quality of services offered. This includes introduction and installation of an Enterprise Resource Planning (ERP) system making it possible to receive and process applications electronically. The Institute is equipping its data centre with modern servers and IT infrastructure to improve the service delivery to its customers. An Electronic Document Management System (EDMS) has been introduced for patents and trade mark divisions to fasten the capture of information with the support of World Intellectual Property Organization (WIPO).

In terms of financial performance, the Institute has achieved a steady growth in revenue over the years since delinking from mainstream Government to become a State Corporation in 2005/2006. Revenue collection stands at KSh.376,936,085 in the financial year 2020/2021 against



expenditure of KSh.341,106,223. Much of the expenditure is on personal emoluments as a result of recruitment of more staff and improvement in terms and conditions of service as well as on operational and administrative expenses.

Despite the achievements, KIPi still faces the challenges of modern office accommodation as it awaits completion of refurbishment and renovation of the new building, capacity building, retention of human resource through competitive compensation scheme and creation of IP awareness. Some of these challenges have affected the achievement of the Institute's Strategic Plan for 2018-2022 whose objectives are:

- To facilitate acquisition of industrial property rights;
- To strengthen the IP legal and policy framework;
- To promote commercialization of Industrial Property;
- To provide IP information to the public;
- To inculcate a culture that promotes and respects creativity and innovativeness;
- To improve productivity and competitiveness of MSMEs;
- To enhance corporate image of the Institute;
- To attract, develop and retain competent staff;
- To improve mobilization and management of financial resources; and
- To strengthen internal systems and processes for efficient service delivery.



Mr. John Onyango

Acting Managing Director

6. STATEMENT OF KENYA INDUSTRIAL PROPERTY INSTITUTE'S PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FINANCIAL YEAR 2020/2021

Kenya Industrial Property Institute (KIPI) has five (5) strategic pillars themes and objectives within the current Strategic Plan for the Financial Year 2018-2022. These strategic themes are as follows:

Pillar 1: Industrial Property Protection;

Pillar 2: Technology Transfer, Licensing and Agreement;

Pillar 3: Industrial Property Information;

Pillar 4: Inventiveness and Innovativeness; and

Pillar 5: Institutional Capacity.

KIPI develops its annual work plan based on the above five (5) pillars. Assessment of the Board's performance against its annual work plan is done on a quarterly basis.

KIPI Board achieved its performance targets set for the Financial Year 2020/2021 period for its five (5) strategic pillars as indicated in the diagram below;

S/No.	Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
1.	Industrial Property Protection	To facilitate acquisition of Industrial Property rights (IPR) for patents, utility models, industrial designs and trade marks	No. of IP rights registered	<ul style="list-style-type: none"> - Process applications for registration of patents, utility models, industrial designs and trade marks. - Monitor compliance with Service Charter. 	Patents - 410 Utility Models - 132 Industrial Designs - 239 Trade marks - 4,265



2.	Technology Transfer, Licensing and Agreements	To generate wealth, create employment and improve the standards of living.	<ul style="list-style-type: none"> - No. of technologies made available - Number of collaboration and trainings done. 	Provide support in building capacity on Industrial Property rights	100 technologies availed - 16 collaborations and trainings done
3	Industrial Property Information	To increase the level of Industrial Property awareness	<ul style="list-style-type: none"> - % of IP awareness - No. of awareness campaigns carried out 	Carryout public awareness campaigns	15 awareness campaigns done
4	Inventiveness and Innovativeness	To inculcate a culture that promotes and respects creativity and innovativeness	Number of MSMEs supported	Support MSMEs to utilize IP for value addition and competitiveness	Four (4) products from MSMEs engaged in tea production, Kisii soapstone, peanut butter and Mwea rice supported
5	Institutional Capacity	To improve mobilization and management of financial resources	<ul style="list-style-type: none"> - Amount of revenue in Kenya Shillings generated - % of absorption of allocated funds 	<ul style="list-style-type: none"> - Streamline systems and processes for revenue collection - To ensure prudent management and utilization of resources 	<ul style="list-style-type: none"> - A-I-A generated amounting to KSh.376.9 Million - 90.78% of funds allocated utilized during the year

7. CORPORATE GOVERNANCE STATEMENT

Corporate governance is the system of clearly defined authorities and responsibilities, which results in the establishment, operation, and maintenance of the system of internal control that is regularly tested to ensure effectiveness. The system enables the Board to ensure that the Institute runs smoothly.

The Institute places a great deal of importance on robust corporate governance practices and is committed to applying the highest standards of business integrity and professionalism in all activities. It has also introduced individual targets and performance indicators.

The Board has formulated and applies sound internal corporate governance guidelines, which address the responsibilities of the Board, Management and the Staff.

The Board has set up four key Board committees to help in the implementation of its policy guidelines and strategic plan as follows:

- (i) Human Resource Committee;
- (ii) Audit Committee;
- (iii) Finance and Strategy Committee; and
- (iv) Technical Committee.

These Committees meet when there is need and are chaired by selected Chairmen who are Board members. The Committees report their findings to the Board for further deliberations.

The Board meets regularly in compliance with the provisions of the Industrial Property Act.



8. MANAGEMENT DISCUSSION AND ANALYSIS

SECTION A

Kenya Industrial Property Institute's Operational and Financial Performance

The Institute targeted to collect KSh.361,000,000 as per the Performance Contract. The actual collection was KSh.376,936,085 in the financial year, of which the accrued revenue amounted to KSh.16,166,643 which was recognized as income earned and also treated as receivables.

Five Year Financial Review

Statement of Financial Performance

	2020/2021	2019/2020	2018/2019	2017/2018	2016/2017
	KSh.	KSh.	KSh.	KSh.	KSh.
Income from Fees	356,518,513	320,420,640	305,535,783	326,301,757	296,550,149
GOK Grants	-	-	-	10,290,595	8,228,754
Other Incomes (Interest)	20,417,572	25,400,049	33,747,093	70,275	596,693
Total Revenue	376,936,085	345,820,689	339,282,876	336,662,627	305,375,596
Less Expenses					
Hospitality	17,713,394	16,389,574	15,470,614	15,431,715	13,048,894
Board Expenses	12,047,004	13,097,891	936,667	12,488,032	11,464,053
Staff Costs	145,811,122	162,952,469	150,231,082	161,343,070	108,854,411
Repairs and Maintenance	13,830,773	12,373,612	9,350,930	8,673,795	9,476,491
Use of Goods and Services/General Expenses	113,320,640	106,931,615	107,230,565	96,237,591	81,808,590
Depreciation	38,383,290	9,268,005	10,914,402	13,674,809	9,442,133
Total Operating Expenses	341,106,223	321,013,166	294,134,260	307,849,012	234,094,572
Surplus for the Year	35,829,862	24,807,523	45,148,616	28,813,615	71,281,024

Statement of Financial Position

	2020/2021	2019/2020	2019/2020	2018/2019	2017/2018	2016/2017
	KSh.	KSh. Restated	KSh.	KSh.	KSh.	KSh.
Current Assets						
Cash and Cash Equivalents	17,814,152	76,468,718	76,468,718	121,266,769	132,012,259	239,013,108
Receivables	299,942,144	171,556,257	126,659,919	113,828,998	176,234,523	89,555,720
Inventories	16,013,366	15,675,692	15,675,692	15,611,152	12,751,198	18,883,558
Total Current Assets	333,769,662	263,700,667	218,804,329	250,706,919	320,997,980	347,452,386
Non-current Assets						
Property, Plant and Equipment	428,149,556	461,973,591	461,973,591	452,012,845	438,141,444	405,022,511
Intangible Assets	48,948,562	49,363,660	49,363,660	49,956,657	29,812,546	2,199,275
Library Books	4,467,984	4,467,984	4,467,984	4,467,984	4,467,984	-
Total Non-Current Assets	481,566,102	515,805,235	515,805,235	506,437,486	472,421,974	407,221,786
Total Assets	815,335,764	779,505,902	734,609,564	757,144,405	793,419,954	754,674,172
Capital and Reserves						
Capital Reserves	611,636,760	611,636,760	611,636,760	611,636,760	611,636,760	611,636,760
General Reserves	203,235,004	167,405,142	122,508,804	142,597,619	171,387,027	142,573,412
Total Assets	814,871,764	779,041,902	734,145,564	754,234,379	783,023,787	754,210,172
Current Liabilities						
Trade & Other Payables	464,000	464,000	464,000	464,000	464,000	464,000
Contracted Services	-	-	-	2,446,026	9,932,167	-
Total Current Liabilities	464,000	464,000	464,000	2,910,026	10,396,167	464,000
Total Capital & Liabilities	815,335,764	779,505,902	734,609,564	757,144,405	793,419,954	754,674,172

SECTION B

Kenya Industrial Property Institute's Compliance with Statutory Requirements

The Institute complied with statutory requirements by withholding and remitting VAT at 2% as required and the client remits 14%. This totals to 16% VAT as required.

From the payroll, the Institute makes statutory deductions and remits them to various institutions including KRA, NSSF, HELB and NITA.

SECTION C

Key Projects and Investment Decisions Kenya Industrial Property Institute is Planning/Implementing.

The Institute is undertaking the following projects in 2020/2021 financial year;

- (i) Refurbishment of the new premises;
- (ii) Decentralization of IP; and
- (iii) Digitization of KIPI systems.

SECTION D

Major Risks Facing Kenya Industrial Property Institute

Kenya Industrial Property Institute is a regulatory body. Most of the clients are foreigners and fee is charged in local and foreign currency (USD.) Any economic slump which affects the exchange rate is a risk to the Institute.

SECTION E

Materials Arrears in Statutory/Financial Obligations

The Institute adheres strictly to the implementation of the procurement plan and absorption of the approved budget and has no material arrears in statutory or financial obligations.

SECTION F

Kenya Industrial Property Institute Financial Probity and Serious Governance Issues

One of the core values of the Institute is integrity. The Institute is committed to high standards of integrity and strong moral principles.

The Institute has maintained high standards of financial probity.

9. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

Kenya Industrial Property Institute exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, putting the customer/Citizen first, delivering relevant goods and services, and improving operational excellence. Below is an outline of the organisation's policies and activities that promote sustainability.

(i) Sustainability Strategy and Profile

Kenya Industrial Property Institute strives to drive change in growth economically by growing the young upcoming scientists, training the SMEs and MSMEs.

The Institute seeks collaborations with other Institutions in the region and internally promoting growth in the Intellectual Property field.

We also collaborate with the Government and other Government Departments in the growth and sustainability of the economy.

(ii) Environmental Performance

Kenya Industrial Property Institute has put measures in place to maintain high standards of environmental performance.

The Institute has engaged contracted service providers who do compound cleaning constantly, professional garbage collection and disposing off waste in the best way to avoid environmental pollution. Fumigation of the compound is also frequently carried out.

(iii) Employee Welfare

The Institute has developed and put in place different policies to take care of the employee welfare. The Institute's Human Resource Manual guides on staff recruitment, career development, gender and regional balance. Persons living with disabilities are taken into consideration in the hiring process.

The Institute has a training policy and a training vote to make sure that staff are trained in various fields.



The Institute has a health insurance policy for the Board of Directors, staff and their dependants and frequent health takers are given to the staff. There is an active OSHA Committee and a policy in place for the same.

(iv) Market Place Practices

The Institute has an active Corruption and Prevention Committee in place chaired by the Managing Director and the Committee submits the required reports to EACC.

The Institute is guided by the Public Procurement and Disposal Act in procuring for its goods and services.

(v) Corporate Social Responsibility/Community Engagements

Kenya Industrial Property Institute (KIPI) recognizes the importance of Corporate Social Responsibility (CSR) as a means of promoting sustainable development as well as enhancing relationships with its various stakeholders. This engagement will continue to be part of the Institute's business practices.

The Institute is developing a CSR strategy that will go along way in entrenching CSR practices within the Organization. During the financial year ended 30th June, 2021, the Institute participated in a national tree planting exercise in which over 5,000 seedlings were planted in the Kibuku area of Ngong Forest.

10. REPORT OF THE DIRECTORS

The Directors submit their report together with financial statements for the financial year ended 30th June, 2021 which shows the state of Institute's affairs.

(I) Principle Activities

The principle Activities of the Institute include:

- Consider applications for, grant and registration of industrial property rights;
- Screen technology transfer agreements and licences;
- Provide to the public, industrial property information for technological and economic development;
- Promote inventiveness and innovativeness in Kenya; and
- Organize and conduct training, competitions and awards relating to industrial property matters.

(ii) Results

The results of Kenya Industrial Property Institute for the financial year ended 30th June, 2021 are as set out as follows;

	2020/2021 KSh.	2019/2020 KSh.
Total Income for the Year	376,936,085	345,820,689
Less: Total Expenditure for the Year	341,106,223	321,013,166
Operating Surplus	<u>35,829,862</u>	<u>24,807,523</u>

(iii) Board of Directors

The Board of Directors who served during the year are shown on Page x, xi, xii, xiii and xiv.

(iv) Surplus Remission


The Institute does not receive any recurrent grant from the exchequer and was granted the right to collect fees and finance its own operational costs and hence, it becomes impossible to surrender the ninety percent of its surplus to the consolidated fund since it has to meet its operational costs before collecting fees at the beginning of each financial year.

(v) Auditors

The Auditor General is responsible for the statutory audit of the Institute in accordance with Article 229 of the Constitution of Kenya 2010 and the Public Audit Act, 2015.

By Order of the Board

Mrs. Eunice Njuguna
Corporate Secretary/
Secretary to the Board


Signature

Date 16/03/2022

11. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 83 of the Public Finance Management Act 2012 and Section 14 of the State Corporations Act require the directors to prepare the financial statements in respect of the Institute, which give a true and fair view of the affairs of the Institute at the end of a financial year. The directors are also charged with the responsibility of ensuring that the Institute maintains proper accounting records, which disclose, with reasonable accuracy, the financial position of the Institute. Equally, the directors are also responsible for safeguarding the assets of the Institute, selecting and applying appropriate accounting policies and also making accounting estimates that are reasonable and applicable to the Institute circumstances.

To this end, the directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgement and estimates in conformity with International Public Sector Accounting Standards and in the manner required by the Public Finance Management Act and the State Corporations Act. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial transactions of the financial year ended 30th June, 2021 and the Institutes financial position as at that date. The directors further confirm the completeness of the accounting records maintained for the Institute, which have been relied upon in the preparation of the financial statements as well as adequate systems of internal financial control. Nothing has come to the attention of the directors to indicate that the Institute will not remain a going concern for at least the next twelve months from the date of this statement.

The directors therefore, have the pleasure of submitting the report, together with the financial statements for the financial year ended 30th June, 2021.

Approval of the Financial Statements

The Institute's financial statements were approved by the Board on 27th September, 2021 and signed on its behalf by;



Ahmed Issack Hassan, CBS
Chairperson of the Board



John Onyango
Acting Managing Director



KIPi

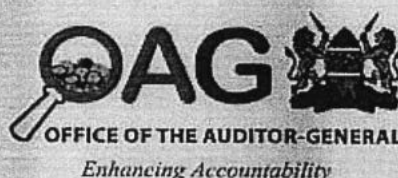
KENYA INDUSTRIAL PROPERTY INSTITUTE

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12. REPORT OF THE INDEPENDENT AUDITOR GENERAL FOR THE FINANCIAL STATEMENT OF KENYA INDUSTRIAL PROPERTY INSTITUTE

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON KENYA INDUSTRIAL PROPERTY INSTITUTE FOR THE YEAR ENDED 30 JUNE, 2021

PREAMBLE

I draw your attention to the contents of my report which is in three parts:

- A. Report on the Financial Statements which considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations which have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment, and the internal controls developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations, and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kenya Industrial Property Institute set out on pages 1 to 30 which comprise of the statement of financial

Report of the Auditor-General on Kenya Industrial Property Institute for the year ended 30 June, 2021

position as at 30 June, 2021, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Kenya Industrial Property Institute as at 30 June, 2021, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Kenya Industrial Property Act, 2001.

Basis for Qualified Opinion

Receivables from Non-Exchange Transactions

As previously reported, the statement of financial position reflects receivables totalling Kshs.299,942,144 which, as disclosed in Note 15 to the financial statements, includes other receivables (renewal fees due) balance totalling Kshs.283,775,501 which relates to expired trademarks and patents. However, the trademarks and patent owners were not legally bound to renew them and pay the related renewal fees. Further, the other receivables balance of Kshs.283,775,501 which form 95% of the total receivables, were over one (1) year old and their recoverability is doubtful. However, no provision for bad and doubtful receivables was made.

In the circumstances, the validity and the full recoverability of the receivables balance of Kshs. 283,775,501 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kenya Industrial Property Institute Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Key Audit Matters

Key audit matters are those matters that in my professional judgment, are of most significance in the audit of the financial statements. There were no other key audit matters to report in the year under review.

Other Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects actual collection totalling Kshs.20,417,572 against a budget totalling Kshs.28,920,000 for revenue from non-exchange transactions, resulting to under-collection of Kshs.8,502,428 or 29%. This under-collection of revenue from non-exchange transactions may have affected the ability of the Institute to finance its planned activities.

In addition, the statement of comparison of budget and actual amounts reflects a final budget totalling Kshs.188,200,000 on compensation of employees. However, only Kshs.145,811,122 was utilized, resulting to an under-expenditure of Kshs.42,388,878 or 23% of the budgeted amount.

In the circumstances, the under-utilization of the budgeted amount could have negatively impacted in service delivery to the public.

Other Information

The Management is responsible for the other information, which comprises the Institute's information and management, the Chairman's statement, the Report of the Managing Director, statement of performance against Institute's predetermined objectives, the corporate governance statement, Management discussions and analyses, report of the Directors and the statement of Director's responsibilities. The other information does not include the financial statements and my auditor's report thereon.

My opinion on the Institute's financial statements does not cover the other information and I do not express any form of assurance or conclusion thereon.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities which govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Report of the Auditor-General on Kenya Industrial Property Institute for the year ended 30 June, 2021

responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report which includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229 (7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229 (6) of the Constitution and submit the audit report in compliance with Article 229 (7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229 (7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control which might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts which would be material in relation to the financial statements being audited, may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of noncompliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the Kenya Industrial Property Institute policies and procedures may deteriorate.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

Report of the Auditor-General on Kenya Industrial Property Institute for the year ended 30 June, 2021

13. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE, 2021

	NOTES	2020/2021 KSh.	2019/2020 KSh.
Revenue from Exchange Transactions	6	356,518,513	320,420,640
Revenue from Non-Exchange Transactions	7	20,417,572	25,400,049
Total Revenue		376,936,085	345,820,689
Expenses			
Employee Costs	8	145,811,122	162,952,469
Hospitality	9	17,713,394	16,389,574
Board Expenses	10	12,047,004	13,097,891
Depreciation and Amortization Expense	11	38,383,290	9,268,005
Repairs and Maintenance	12	13,830,773	12,373,612
Use of Goods and Services/General Expenses	13	113,320,640	106,931,615
Total Expenses		341,106,223	321,013,166
Surplus Before Tax		35,829,862	24,807,523
Surplus for the Year		35,829,862	24,807,523

The notes set out on pages 6 to 31 form an integral part of the Financial Statements. The Financial Statements set out on pages 1 to 5 were signed on behalf of the Board of Directors by;



Mr. John Onyango
Acting Managing Director

Date 16/3/2022



CPA Caroline Mawathe
ICPAK No. 11880
Head of Finance

Date 16/3/2022



Mr. Ahmed Issack Hassan, CBS
Chairman of the Board

Date 18/3/2022

14. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE, 2021

Assets	NOTES	2020/2021	2019/2020	2019/2020
Current Assets		KSh.	KSh. Restated	KSh.
Cash and Cash Equivalents	14 & 15	17,814,152	76,468,718	76,468,718
Receivables from Non-Exchange Transactions	15	299,942,144	171,556,257	126,659,919
Inventories	17	16,013,366	15,675,692	15,675,692
Sub-Total		333,769,662	263,700,667	218,804,329
Non-current Assets				
Property, Plant and Equipment	18	428,149,556	461,973,591	461,973,591
Intangible Assets	19	48,948,562	49,363,660	49,363,660
Library Books	17	4,467,984	4,467,984	4,467,984
Sub-total		481,566,102	515,805,235	515,805,235
Total Assets		815,335,764	779,505,902	734,609,564
Liabilities				
Current Liabilities				
Trade and Other Payables	20	464,000	464,000	464,000
Total Liabilities		464,000	464,000	464,000
Net Assets		814,871,764	779,041,902	734,145,564
Capital Rund	21	611,636,760	611,636,760	611,636,760
Accumulated Surplus	22	203,235,004	167,405,142	122,508,804
Total net Assets and Liabilities		814,871,764	779,041,902	734,145,564

The Financial Statements set out on pages 1 to 5 were signed on behalf of the Board by

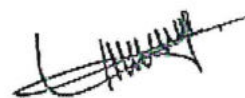


Mr. John Onyango
Acting Managing Director

Date 16/3/2022



CPA Caroline Mawathe
ICPAK No. 11880
Head of Finance
Date 16/3/2022



Mr. Ahmed Issack Hassan, CBS
Chairman of the Board

Date 18/3/2022

15. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE, 2021

	Note	Capital Fund	Accumulated Surplus	Minority Interest	Total
		KSh.	KSh.	KSh.	KSh. Restated
Balance as at 1st July, 2019	20	611,636,760	142,597,619	-	754,234,379
Surplus/Deficit for the Year	21	-	24,807,523	-	24,807,523
Transfers from Reserves		-	(44,896,338)	-	(44,896,338)
Balance as at 30th June, 2020	20	611,636,760	122,508,804	-	734,145,564
Balance as at 30th June, 2019		611,636,760	142,597,619	-	754,234,379
Balance as at 1st July, 2020	20	611,636,760	122,508,804	-	734,145,564
Restated Reserves		-	44,896,338		44,896,338
Surplus for the Period	21	-	35,829,862	-	35,829,862
Balance as at 30th June, 2021	20	611,636,760	203,235,004	-	814,871,764
Balance as at 30th June, 2020		611,636,760	122,508,804	-	734,145,564

Notes to the Statement of Changes in Net Assets

The changes in the net assets are as a result of the additions from the surplus realized during the period ended 30th June, 2021 and transfers made from reserves to finance the Institute's operations.

Development Grants

The Institute received the development grant in 2015/2016 financial year and has successfully been able to complete those projects in time apart from one which is on-going and expected to be completed soon. No more development grants has been received.

16. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE, 2021

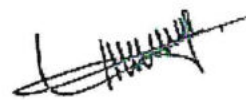
	NOTES	2020/2021	2019/2020	2019/2020
		KSh.	KSh. Restated	KSh.
Cash Flows from Operating Activities				
Receipts				
Rendering of Services		376,875,354	333,953,480	333,953,480
Other Income		60,731	-	-
Total Receipts		376,936,085	333,953,480	333,953,480
Payments				
Compensation of Employees	8	145,811,122	162,952,469	162,952,469
Goods and Services	9, 10, 12 & 13	156,911,811	148,792,692	148,792,692
Total Payments		302,722,933	311,745,161	311,745,161
Net Cash Flows from Operating Activities		74,213,152	22,208,319	22,208,319
Cash Flows from Investing Activities				
Purchase of Property, Plant, Equipment and Intangible Assets	18 & 19	(4,144,157)	(18,635,754)	(18,635,754)
Net Decrease/Increase in Current Assets		(128,723,561)	(57,791,799)	(15,341,487)
Net Cash Flows used in Investing Activities		(132,867,718)	(76,427,553)	(33,977,241)
Cash Flows from Financing Activities				
Proceeds from Borrowings/Other Accounts		-	9,421,183	11,867,209
Transfers from to Operations		-	-	(44,896,338)
Net Cash Flows used in Financing Activities		-	9,421,183	(33,029,129)
Net Increase/Decrease in Cash and Cash Equivalents	14(a)	(58,654,566)	(44,798,051)	(44,798,051)
Cash and Cash Equivalents at 1st July, 2020	14(a)	76,468,718	121,266,769	121,266,769
Cash and Cash Equivalents at 30th June, 2021	14(a)	17,814,152	76,468,718	76,468,718



Mr. John Onyango
Acting Managing Director



CPA Caroline Mawathe
ICPAK No. 11880
Head of Finance



Mr. Ahmed Issack Hassan, CBS
Chairman of the Board

Date 16/3/2022

Date 16/3/2022

Date 18/3/2022



K I P I

KENYA INDUSTRIAL PROPERTY INSTITUTE

17. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30TH JUNE, 2021

	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Performance Difference	% of Utilization
	KSh.	KSh.	KSh.	KSh.	KSh.	%
Revenue	(A)	(B)	C= (A+B)	D	E=(C-D)	F=D/C
Rendering of Services	332,580,000	-	332,580,000	356,518,513	23,938,513	107%
Revenue from Non-Exchange Transactions	28,920,000	-	28,920,000	20,417,572	(8,502,428)	71%
Total Income	361,500,000	-	361,500,000	376,936,085	15,436,085	104%
Expenses						
Compensation of Employees	188,200,000	-	188,200,000	145,811,122	42,388,878	77%
Goods and Services	173,300,000	-	173,300,000	156,911,811	16,388,189	91%
Other Provisions (Dep)	-	-	-	38,383,290	(38,383,290)	0%
Total Expenditure	361,500,000	-	361,500,000	341,106,223	20,393,777	94%
Surplus for the Period	-	-	-	35,829,862	-	

NOTES TO THE QUARTERLY STATEMENT OF COMPARISON OF BUDGET AND ACTUAL PERFORMANCE

A.I.A.

The targeted budget collection by the Institute was KSh.361,500,000. However, the actual collection was KSh.376,936,085. The Institute over-collected by KSh.15,436,085 and this was attributed to speedy and improved processing of trade mark applications.

Compensation of Employees

The budget for the staff cost amounted to KSh.188,200,000. There was no revision in staff costs during the period ended 30th June, 2021. The Institute's expenditure for the period was KSh.145,811,122 which was below the period budget by KSh.42,388,878 for the reason that the several vacant posts are yet to be filled up.

Provision of Goods and Services

The Institute budgeted for KSh.173,300,000 to be used on payment of expenses on provision of goods and services. The Institute eventually utilized KSh.156,911,811 on payment of goods and services leading to an under-absorption of KSh.16,388,189. The under-absorption was caused by several other procurement of goods and services not undertaken due to the effects of global spread of coronavirus disease.

18. NOTES TO THE FINANCIAL STATEMENTS

1. General Information

Kenya Industrial Property Institute (the Institute) is a body corporate established under the Industrial Property Act, No. 3 of 2001. The Institute is wholly owned by the Government of Kenya and is domiciled in Kenya. It is mandated to implement the Industrial Property Act and the Trade Marks Act, Cap 506 of the Laws of Kenya.

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying Kenya Industrial Property Institute's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 5 of these financial statements.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Institute.

The financial statements have been prepared in accordance with the PFM Act, the Industrial Property Act and the Trade Marks Act, Cap 506 of the Laws of Kenya., and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

3. Adoption of New and Revised Standard

KIPI did not early-adopt any new or amended standards in the year 2020/2021.

4. Summary of Significant Accounting Policies

a) Revenue Recognition

Revenue from Exchange Transactions Fees, Taxes and Fines

The entity recognizes revenues from fees, taxes and fines when the event occurs and the asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognized instead of revenue. Other non-exchange revenues are recognized when it is probable that the future economic

benefits or service potential associated with the asset will flow to the entity and the fair value of the asset can be measured reliably.

Transfers from Other Government Entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.

Rendering of Services

The Institute recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours.

Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

Sale of Goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and when the amount of revenue can be measured reliably and it is probable that the economic benefits or service potential associated with the transaction will flow to the entity.

Interest income

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

b) Budget Information

The original budget for FY 2020-2021 was approved by the National Assembly on 10th June, 2020.

The Institute's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

c) Taxes

Current Income Tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Entity operates and generates taxable income. Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred Tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences

can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit. Deferred tax items are recognized in correlation to the underlying transaction in net assets. tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Sales Tax

Expenses and assets are recognized net of the amount of sales tax, except:

- i) When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- ii) When receivables and payables are stated with the amount of sales tax included

The net amount of sales tax recoverable from, or payable to, the taxation authority is

included as part of receivables or payables in the statement of financial position.

d) Investment Property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property.

Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over a 30-year period.

Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition.

Transfers are made to or from investment property only when there is a change in use.

e) Property, Plant and Equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the Institute recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

f) Leases

Finance leases are leases that transfer substantially all of the risks and benefits incidental to ownership of the leased item to the Entity. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The Entity also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present



value of the future minimum lease payments at initial recognition.

Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit. An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Entity will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the Entity. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

g) Intangible Assets

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred.

The useful life of the intangible assets is assessed as either finite or infinite.

h) Research and Development Costs

The Entity expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the Entity can demonstrate:

- i) The technical feasibility of completing the asset so that the asset will be available for use or sale
- ii) Its intention to complete and its ability to use or sell the asset
- iii) How the asset will generate future economic benefits or service potential
- iv) The availability of resources to complete the asset
- v) The ability to measure reliably the expenditure during development.

Following initial recognition of an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment

annually with any impairment losses recognized immediately in surplus or deficit.

i) Financial Instruments

There was no investment in form of held-to-maturity instruments that would yield any fixed or determinable receipts during the reporting period.

a) Financial Assets

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The Entity determines the classification of its financial assets at initial recognition.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

Held-to-Maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Entity has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by considering any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

Impairment of Financial Assets

The Institute assesses at each reporting date whether there is objective evidence that a financial asset or an entity of financial assets is impaired. A financial asset or an entity of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the entity of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

- a) The debtors or an entity of debtors are experiencing significant financial difficulty;
- b) Default or delinquency in interest or principal payments;
- c) The probability that debtors will enter bankruptcy or other financial reorganization;
and
- d) Observable data indicates a measurable decrease in estimated future cash flows (e.g., changes in arrears or economic conditions that correlate with defaults)

b) Financial liabilities

Initial Recognition and Measurement

Financial liabilities within the scope IPSA29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Institute determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

Loans and Borrowing

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process.

Amortized cost is calculated by considering any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

j) Inventories

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition. Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

- i) Raw materials: purchase cost using the weighted average cost method; and
- ii) Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity but excluding borrowing costs.

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Institute.

i) Provisions

Provisions are recognized when the Institute has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Institute expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

k) Contingent Liabilities

The Institute held only one claim payable in form of audit fees amounting to KSh.464,000. The provision has been made in these financial statements for the amount. Therefore, Management is of the opinion that no significant liabilities will arise that may affect the Financial Statements after the reporting date.

l) Contingent Assets

The Institute does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within its control in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

m) Nature and Purpose of Reserves

The Institute creates and maintains reserves in terms of specific requirements.

n) Changes in Accounting Policies and Estimates

The Institute recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

o) Employee Benefits

Retirement Benefit Plans

The Institute provides retirement benefits for its employees. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

p) Foreign Currency Transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction net of the bank commission. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

q) Borrowing Costs

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment. Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

r) Related Parties

The Institute regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence, or vice versa. Members of key management are regarded as related parties and comprise the Board of Directors, the Managing Director and senior managers.

s) Service Concession Arrangements

The Institute analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the Entity recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price.

In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise - any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the Institute also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

t) Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, cash at bank, and cash in the MPESA line as at the end of the quarter, and short-term cash imprests and advances to staff members which were not surrendered or accounted for at the end of the quarter.

u) Comparative Figures

Where necessary, comparative figures for the previous quarter have been amended or reconfigured to conform to the required changes in presentation.

5. Significant Judgments and Sources of Estimation Uncertainty

The Institute is required to make judgements and assumptions that would affect the reported amounts of revenues, expenses, assets and liabilities and also the disclosure of contingent liabilities in line with International Public Sector Standards (IPSAS). Management has no reason to believe that there would be any subsequent events that would significantly affect the values of the revenues, expenses, assets and liabilities after the quarterly financial statements report and therefore such estimates and assumptions were not made at the reporting date as there were no significant risks that would have caused any material adjustment to the carrying amounts of the assets and liabilities within the next quarterly performance.

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Institute based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Institute. Such changes are reflected in the assumptions when they occur. IPSAS 1.140.

Useful lives and Residual Values

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- The condition of the asset based on the assessment of experts employed by the Institute;
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes;
- The nature of the processes in which the asset is deployed;
- Availability of funding to replace the asset; and
- Changes in the market in relation to the asset

Provisions

Provisions were raised and management determined an estimate based on the information available.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

6. Revenue from Exchange Transactions

	2020/2021	2019/2020
	KSh.	KSh.
Local Generated Income	257,230,814	234,965,195
Fees from WIPO	99,287,700	85,455,445
Sub-Total	356,518,514	320,420,640
Revenue from Non-Exchange Transactions	20,417,572	25,400,049
Total Revenue	376,936,086	345,820,689

The operating income consists of the fees received in respect of trade marks and grants of patents rights which form the core activities of the Institute.

7. Revenue from Non-Exchange Transactions

	2020/2021	2019/2020
	KSh.	KSh.
ARIPO & WIPO	20,356,841	25,400,049
Other Incomes (Interests)	60,731	-
Total	20,417,572	25,400,049

The Institute earns fees from the African Regional Intellectual Property Organisation which is treated by the Institute as Other Operating Income. In the period ended 30th June, 2021, the Institute had received KSh.20,356,841 as fees earned on behalf of the Institute and KSh.60,731 was interest income earned on the account balances at the bank.

8. Employee Costs

	2020/2021	2019/2020
	KSh.	KSh.
Salaries & Wages	72,657,719	76,384,500
Contribution to Pension Schemes	10,826,820	10,737,675
Housing Allowance	45,500,457	61,807,550
Social Contributions	182,000	188,200
Medical	16,644,126	13,834,544
Total	145,811,122	162,952,469

These are costs relating to the employee salaries, wages, pension and medical expenses incurred during the quarter.

During the period ended 30th June, 2021, the Institute incurred KSh.145,811,122 as staff costs on salaries and other allowances. The Institute paid allowances and salaries amounting to Ksh.30,992,000 to the key staff members with the balance of KSh.97,992,996 being paid to the rest of the support staff members. The Institute also incurred a total of KSh.16,826,126 on staff pension schemes and medical expenses.

9. Hospitality Costs

	2020/2021	2019/2020
	KSh.	KSh.
Hospitality, Supplies and Services	17,713,394	16,389,574
Total	17,713,394	16,389,574

The above costs under hospitality amounting to KSh.17,713,394 relates to costs incurred on seminars, workshops and provision of staff tea during the quarter under review.

10. Board Expenses

	2020/2021	2019/2020
	KSh.	KSh.
Chairman's Honoraria & Telephone Expenses	935,000	848,500
Board Expenses on Retreats	2,247,500	5,386,956
Other Board Expenses	8,864,504	6,862,435
Total	12,047,004	13,097,891

The Institute incurred KSh.12,047,004 on Board expenses of which KSh.935,000 as Chairman's honoraria and telephone expenses and the balance of KSh.11,112,004 was sitting allowances, retreat expenses and other normal Board expenses.

11. Depreciation and Amortization Expenses

	2020/2021	2019/2020
	KSh.	KSh.
Amortization on Plant, Property & Equipment	29,686,009	-
Property, Plant & Equipment	8,282,183	8,675,008
Intangible Assets	415,098	592,997
Total	38,383,290	9,268,005

The Institute charges depreciation of its assets on reducing balance method based on the following rates:

Motor Vehicles	25%
Computers	30%
Furniture and Equipment	12.5%
Intangible Assets	30%
Building	2%

12. Repairs and Maintenance

These are costs relating to repairs to motor vehicles, computers, equipment and machinery and the general maintenance of the office compound.

	2020/2021	2019/2020
	KSh.	KSh.
Vehicles	3,355,354	4,010,310
Other Assets	10,475,419	8,363,302
Total	13,830,773	12,373,612

13. Use of Goods and Services/General Expenses

	2020/2021	2019/2020
	KSh.	KSh.
Utilities Supplies & Service - Water & Electricity	3,947,593	4,402,159
Telecommunication, Supplies & Services	6,391,090	5,651,361
Travel & Subsistence, & Other Transportation Costs	20,590,731	15,276,641
Printing, Advertising & Information Supplies & Services	12,714,805	15,729,117
Skills Development & Training	5,144,176	5,537,057
Audit Fees	464,000	464,000
Specialized Materials & Supplies	5,927,900	7,425,333
Office & General Supplies & Services	16,053,302	21,238,452
Insurance	1,691,904	1,963,587
Medical Grants W/O	-	2,256,178
Bank Charges	1,337,237	126,216
Administration/Subscriptions	577,131	690,360
Other Operating Expenses	27,234,720	23,976,024
Decentralization of IP	-	2,195,130
Trade Mark Provision	11,246,051	-
Total	113,320,640	106,931,615

These are various expenditures incurred by the Institute for the purpose of facilitating various functions that are geared towards attainment of the objectives of the Institute. The policy of the Institute is to write off trade mark renewals at 9% for long outstanding receivables.

14. Cash and Cash Equivalents

	2020/2021	2019/2020
	KSh.	KSh.
Bank 14(a)	17,664,152	76,318,718
Cash on Hand	150,000	150,000
Total Cash & Cash Equivalents	17,814,152	76,468,718

14(a) Detailed Analysis of Cash in Bank

Banks	USD. Rate	Exchange Rate	Account No.	2020/2021	2019/2020
Name of the Bank				KSh.	KSh.
Kenya Commercial Bank			1103867768	7,859,303	37,922,610
Kenya Commercial Bank			1104172208	2,810,472	5,018,883
National Bank of Kenya			0117311500	1,209,422	3,954,472
Mpesa - Safaricom			924850	1,979,151	4,036,549
Kenya Commercial Bank			1104169363	3,689,782	5,642,069
Kenya Commercial Bank	1,108.14	104.70	1217036415	116,022	19,774,135
Total				17,664,152	76,348,718

15. Receivables from Non-Exchange Transactions

	2020/2021	2019/2020
	KSh.	KSh. Restated
Current Receivables		
WIPO	7,134,424	4,583,954
ARIPO	9,032,219	7,283,255
Staff Advances	-	130,000
Other Receivables (Renewal Fees Due)	283,775,501	159,559,048
Total	299,942,144	171,556,257

These are amounts due from WIPO and ARIPO in respect of the Institute's share of the fees collected on behalf of the Institute.

Other receivables consist of renewal fees due from expired trademarks and patents which have not been received. The amount is treated as receivables in the books of accounts.

16. Aging Analysis of Accounts Receivables

	Months 3-6	Months 6-9	Months Over 1 Year	Total
Current Receivables				
WIPO	7,134,424	-	-	7,134,424
ARIPO	9,032,219	-	-	9,032,219
Other Receivables (Renewal Fees Due)	-	-	283,775,501	283,775,501
Total	16,166,643	-	283,775,501	299,942,144

17. Inventories

	2020/2021	2019/2020
	KSh.	KSh.
Consumable Stores	16,013,366	15,675,692
Total	16,013,366	15,675,692

The inventories consist of the stock of consumable items held in the Institute's stores during the Quarter.

Library Books

The Institute has a stock of library books amounting to KSh.4,467,984 used for reference purpose on various disciplines of Intellectual Property. It is the Institute's policy not to recognize depreciation of library books and the same is treated as an asset in the financial statements since they have a useful life of more than four years.

18. Property, Plant and Equipment

	Land & KSh.	Motor KSh.	Computers KSh.	Furniture & KSh.	Total KSh.
Cost					
As at 1st July, 2019	412,088,054	45,134,081	37,893,433	45,273,345	540,388,913
Additions for 2019/2020	13,492,455	-	1,497,200	3,646,099	18,635,754
	425,580,509	45,134,081	39,390,633	48,919,444	559,024,667
Depreciation					
As at a 1st July, 2019	-	32,329,259	31,156,957	24,889,852	88,376,068
Charge for the Year 2019/20	-	3,201,206	2,470,103	3,003,699	8,675,008
	-	35,530,465	33,627,060	27,893,551	97,051,076
NET BOOK VALUE					
As at 30th June, 2020	425,580,509	9,603,616	5,763,573	21,025,893	461,973,591
As at 30th June, 2019	412,088,054	12,804,822	6,736,476	20,383,493	452,012,845
Cost					
As at 1st July, 2020	425,580,509	45,134,081	39,390,633	48,919,444	559,024,667
Additions for 2020/2021	-	-	2,606,017	1,538,140	4,144,157
Prior Years Adjustments	-	-	-	-	-
	425,580,509	45,134,081	41,996,650	50,457,584	563,168,824
Depreciation As at a 1st July,	-	35,530,465	33,627,060	27,893,551	97,051,076
Charge for the Year 2020/21	549,898	2,400,904	2,510,877	2,820,504	8,282,183
Impairment	29,686,009	-	-	-	29,686,009
	30,235,907	37,931,369	36,137,937	30,714,055	135,019,268
NET BOOK VALUE					
As at 30th June, 2021	395,344,602	7,202,712	5,858,713	19,743,529	428,149,556
As at 30th June, 2020	425,580,509	9,603,616	5,763,573	21,025,893	461,973,591

NOTE TO DEPRECIATION AND AMORTIZATION ON PROPERTY, PLANT, EQUIPMENT AND INTANGIBLE ASSETS

There is no depreciation on leasehold land. Other property, plant, buildings and electronic equipment are depreciated on a reducing balance basis to write the cost or valuation over their estimated useful life. Such depreciation has been calculated on reducing balance method based on the following rates:

Motor Vehicles	25%
Computers	30%
Furniture and Equipment	12.5%
Intangible Assets	30%
Building	2%

Land and Building were revalued as follows:

Land	KSh.285,915,000
Building	KSh.109,979,500

19. Intangible Assets

DETAILS	KSh.
Cost	
1st July, 2019	7,114,390
Work in Progress	47,980,000
	<u>55,094,390</u>
Amortisation	
As at 1st July, 2019	5,137,733
Charge for 2019/2020	592,997
	<u>5,730,730</u>
NET BOOK VALUE	
As at 30th June, 2020	<u>49,363,660</u>
As at 30th June, 2019	<u>49,956,657</u>
Cost	
1st July, 2020	7,114,390
Work in Progress	47,980,000
	<u>55,094,390</u>
Amortisation	
As at 1st July, 2020	5,730,730
Charge for 2020/2021	415,098
	<u>6,145,828</u>
NET BOOK VALUE	
As at 30th June, 2021	<u>48,948,562</u>
As at 30th June, 2020	<u>49,956,657</u>

The intangible assets comprise of the cost incurred for the purpose of the software development. It is the Institute's policy to charge amortization on such software costs at the rate of 30% on reducing balance Method. The Institute also incurred an amount of KSh.49,980,000 on the procurement of Enterprise Resource Programme Software applications which is yet to be completed hence no amortisation was recognized on the same.

20. Trade and Other Payables

	2020/2021	2019/2020
	KSh.	KSh.
Audit Fees	464,000	464,000
Total	464,000	464,000

This consists of the provision made in respect to the amount owed to the Auditor General's Office in respect of audit fees for the period ended 30th June, 2021.

21. Reserves

	2020/2021	2019/2020 Restated
	KSh.	KSh.
Capital Reserve	611,636,760	611,636,760
Accumulated Surplus	203,235,004	167,405,142
Total	814,871,764	779,041,902

Reserves comprise of balances in form of accumulated surplus from operating activities.

22. Accumulated Surplus

	2020/2021	2019/2020
	KSh.	KSh.
Balances B/f	167,405,142	142,597,619
Add: Surplus for the Year	35,829,862	24,807,523
Total	203,235,004	167,405,142

This represents the excess of the revenue over the expenditure incurred to realize that income during the period under review.

23. Financial Risk Management

The entity's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The company's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The company does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

The entity's financial risk management objectives and policies are detailed below:

23. (a) Credit Risk

The entity has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments.

During the year under review the Institute was exposed to credit risk labelled below at the carrying amounts;

Details	Total Amount KSh.	Fully Performing KSh.	Past Due KSh.	Impaired KSh.
As at 30th June, 2021				
Receivables from exchange transactions	290,909,925	7,134,424	283,775,501	11,246,051
Receivables from non exchange transactions	9,032,219	9,032,219	-	-
Bank balances	17,814,152	17,814,152	-	-
Total	317,756,296	33,980,795	283,775,501	11,246,051

23 (b) Liquidity Risk

Details	Less than 1 Month KSh.	Between 1-3 Months KSh.	Over 5 Months KSh.	Total KSh.
As at 30th June, 2021				
Trade Payables	-	464,000	-	464,000
Total	-	464,000	-	464,000

24. Market Risk

24. (a) Foreign currency risk - refers to transactional currency exposure as a result of the changes in the prevailing exchange rates.

The carrying amount of the Institute's foreign currency denominated monetary assets and liabilities at the end of the reporting period are as follows;

24. (a) Foreign Currency Risk

Details	KSh.	Other Currencies	Total
	KSh.	KSh.	KSh.
As at 30th June, 2021			
Financial Assets (Investments, Cash, Deposits)	17,698,130	116,022	17,814,152
Trade and Other Payables	(464,000)	-	(464,000)
Net Foreign Currency Asset/Liability	17,234,130	116,022	17,350,152

24 (b) Capital Risk Management

The objective of the Institute's capital risk management is to safeguard the Board's ability to continue as going concern. The Institute's capital structure comprises of the following funds:

Details	2020/2021	2019/2020
	KSh.	KSh. Restated
Retained Earnings	203,235,004	167,405,142
Capital Reserve	611,636,760	611,636,760
Total Funds	814,871,764	779,041,902
Total Borrowing/Debt	(464,000)	(464,000)
Less: Cash and Bank Balances	17,814,152	76,468,718
Net Debt/Excess Cash and Cash Equivalents	17,350,152	76,004,718
Gearing	0.0%	0.1%

25. Related Party Transactions

Related party transactions or expenditures incurred by the Institute comprise of the following:

Details	2020/2021	2019/2020
	KSh.	KSh.
Directors Emoluments	12,047,004	7,710,935
Compensation to the Managing Director	5,880,000	11,178,000
Compensation to Key Management	25,112,000	28,992,000
Total	43,039,004	47,880,935

26. APPENDIX

APPENDIX I: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

No.	Issue/Observations from Auditor	Management Comments	Status	Timeframe
Property, Plant & Equipment				
1	As reported in the previous year, and as indicted in the Note 17 of the current Financial Statements included in assets as a combined figure of KSh.412,088,054 of land and building. The combination of the land and building went against the provision of IPSAS 17 resulted to non-depreciation of the building thus over stating the assets of the Institute.	<p>The Institute engaged the National Lands Commission who undertook the valuation and gave the actual value of the Building and Land separately.</p> <p>With this report, in the Financial Statement of 2020/2021 has been treated Land and Building separately, depreciating the Building at a rate of 2% per annum as per ISPA 17 Section 74.</p> <p>Depreciation of the prior years has also been provided for in the books. Please see Note 9 on Depreciation and Amortization expenses and an explanation note to Depreciation and Amortization on Property, Plant and Equipment on Page 19.</p>	Resolved	30th June, 2021
Overstated Receivables				
2	The Financial Statement on Note 16 indicates receivables amount of KSh.126,659,919 out of KSh.114,662,710 are expired patents which the Institute expects the clients to renew. The clients, however, are not bound by any legal agreement to keep renewing their licences; it is possible that the previous patents served the purpose and they closed shops. It is therefore, not prudent for KIPi to continue classifying such 'prospective' clients as receivables.	<p>The issue of Trade Mark renewal being classified as receivables was brought up during the audit of the Financial Statements for 2018/2019. During the deliberations, it was agreed that the Institute comes up with a policy of writing off long outstanding trade mark renewal since the recovery could not be legally enforced against clients as they were not bound by any legal agreement to keep renewing the licences.</p> <p>The issue was brought before the Board of Directors and after lengthy deliberations, it was agreed that the authority for the write-off be sought from the National Treasury. The Board approved provision of 9% on trade mark receivables for 2018/2019 financial year of KSh.15,091,501 and General provision of 9% of receivables at the end of every financial year. The changes have since been effected in the received 2019/2020 financial statements.</p>	Resolved	30th June, 2021

APPENDIX II: STATUS OF PROJECT COMPLETION AS AT 30 JUNE, 2021

PROJECT	APPROVED BUDGET	TOTAL EXPENDED TO DATE	COMPLETION % TO DATE	MANAGEMENT COMMENT	SOURCES OF FUNDS
Refurbishment of KIPi's New Premises at Lavington	63,000,000	56,830,881	90%	Completed	G.O.K.
Decentralization of IP	30,000,000	29,939,205	100%	Completed	G.O.K.
Establishment of a Research Unit	10,000,000	-	0%	Project Concept Development	G.O.K.
Digitization of IP Systems	65,000,000	63,452,400	98%	Completed	G.O.K.
Intellectual Property for Improved Productivity & Competitiveness	7,000,000	7,000,000	100%	Completed	G.O.K.
	175,000,000	157,222,486			

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This image shows a single sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.